

Knowledge-based Enterprise: The Collaboration Innovation In Most Admired Knowledge Enterprise (MAKE)

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ABSTRACT

In tomorrow's business environment, knowledge and how it is managed for competitive advantage will be the number one corporate priority. Firstly, the study explores sources of knowledge, managing knowledge, managing knowledge workers. Secondly, the study reviews the implementation of intelligent business strategies, a most admired knowledge enterprise (MAKE) in knowledge-based enterprise, and how a firm used the infinite resource to creating and leading the knowledge enterprise. Finally, the study proposed the development trend of collaboration innovation, it emphasizes knowledge sharing should not only been limited in firm's internal employees but also include firm's external customers and cooperation partners, the situation also indicated the importance of "Collaboration" under knowledge economy.

Keywords:

Knowledge-based, Enterprise, collaboration innovation, MAKE

1.0 INTRODUCTION

In the information economy, Moore's Law was the operating rule. Moore's Law says that the price/performance of computing doubles every eighteen months. In the knowledge economy, Metcalf's Law is the operative rule. Metcalf's Law holds that the value of a computer is proportional to the square of the number of connections it makes (Jim Botkin, 2008). In tomorrow's business environment, knowledge and how it is managed for competitive advantage will be the number one corporate priority (James J. Schiro, 2008), in the information economy (1970 to 1995), the best strategy was to over invest in crunching power. Competitive advantage accrued to those who invested more than their competitors to process more data and information more quickly. In the knowledge economy (1995 to date), the best strategy is to invest in connecting power. Competitive advantage accrues to those who invest more than their competitors to connect to more people and share knowledge faster and farther. Thus, knowledge management as a key to sustainable competitive advantage. (Vadim Kotelnikov, Founder, Ten, 2008)

1.1 Sources of Knowledge

A knowledge-based enterprise derives knowledge from various sources that include:

- Customer knowledge: customer needs, perceptions, and motivations, who to contact, customer buying power, what differentiation strategy and customer services need to be developed to win and retain customers, etc.
- Competitor knowledge: what competitors are selling now and what they are planning to sell in the future, what is their strategic intent, what competitive strategies they use to win in the marketplace.
- Product knowledge: the products in the marketplace, who is buying them and why, what prices they are selling at, and how much money is spent on such products now and may be spent in future.
- Process knowledge: best practices, technology intelligence and forecasting, systemic innovation, cross-functional synergy opportunities, etc.
- Financial knowledge: capital resources, where and how to acquire venture capital and at what cost, and the integrating in financial practices.
- People knowledge: knowing people and what motivates employees, obtaining feedback, the expertise available, and how to go about finding experts.

1.2 Managing Knowledge

While most managers agree that managing knowledge is important, few of them can articulate what the value is or how to become a learning, teaching, or coaching organization. The majority of companies have their knowledge embedded in people and organizations. It is often intuitive, tacit, rather than explicit, and is rarely detailed enough to be especially valuable.

Such knowledge often gets lost when someone leaves the company. "All too often, knowledge exists with multiple points of view instead of the collective best

thinking. It is occasional but not integral to the business. And, most important, it is available but not used very much."

1.3 Managing Knowledge Workers

To lead knowledge workers effectively and unlock their true potential, you need to define:

What knowledge work professionals do?
How they do it best?
What drives them to do it?

Ten Roles of an Inspirational Leader

Involve everyone, empower and trust employees. Talented and empowered human capital is the prime ingredient of organizational success. A critical feature of successful teams, especially in knowledge-driven enterprises, is that they are invested with a significant degree of empowerment, or decision-making authority. Formulate stretch goals, provide resources, and empower your people. Find a delicate balance between laissez-faire and overly controlling styles. Vadim Kotelnikov, Founder, Ten (2008) proposed 10 roles of an inspirational leader as follows:

1. Provide an inspiring vision and strategic alignment, launch a crusade

As a leader, you must envision the future, passionately believe that you can make a difference, and inspire people to achieve more than they may ever have dreamed possible. You must see a changed world beyond the time horizon, create an ideal and unique image of what it could become, open your followers' eyes and lift their spirits. You must believe that your dreams can become reality and, through your attitude, get people to see exciting opportunities and possibilities for the future. People change and unlock their inner power when they are emotionally engaged and committed.

2. Help people connect their personal goals to business goals

Leadership is essentially about helping people to achieve a better life. An important measure of your own success as a leader is the success of your followers. Talented and empowered employees are the prime ingredients of organizational success and they need to be able to lead themselves. Provide strategic alignment and be a coach to your people to help each of your followers to develop into an effective self-leader. Establish an attitude of relentless growth to enable your organization and people to achieve their stretch goals.

3. Make relentless innovation a religion

Lead innovation, emphasize opportunities, not problems, and encourage innovative behavior. Establishing the culture of innovation requires a broad and sustained effort. Questions are critical to innovation, so start with creating a culture of questioning. Exploration of possibilities, discoveries, innovation, and progress start with challenging assumptions, asking searching "Why?" and "What if?" questions, and plying "What if" scenarios. Encourage your people to challenge assumptions, and run "The Best Question" contests. Reward both individual and collective contributions. Celebrate success.

4. Encourage entrepreneurial creativity and experimentation

Develop entrepreneurial staff and create a corporate climate that encourages rule-breakers and outside-the-box thinkers. Experimentation by definition is a trial-and-error process, but experimentation is also the key to discovery. Without action, you cannot know whether or not your innovative ideas will actually work.

5. Involve everyone, empower and trust employees

Talented and empowered human capital is the prime ingredient of organizational success. A critical feature of successful teams, especially in knowledge-driven enterprises, is that they are invested with a significant degree of empowerment, or decision-making authority. Formulate stretch goals, provide resources, and empower your people. Find a delicate balance between laissez-faire and overly controlling styles.

6. Coach and train your people to greatness

Empowerment alone is not enough. You must train and coach your people to enhance their learning ability and performance. Coaching is the key to unlocking the potential of your people, your organization, and yourself. It increases your effectiveness as a leader. As a coach, you must help your people grow and achieve more by inspiring them, asking effective questions and providing feedback. Find the right combination of instructor-led training and coaching follow-ups to achieve success.

7. Build teams and promote teamwork, leverage diversity

Teamwork is essential for competing in today's global arena. Build a star team, not a team of stars. Diversity of thought, perception, background and experience enhance the creativity and innovation. A team should not just be diverse; it has to make the most of it. Involve everyone, facilitate cross-pollination of ideas, build and empower cross-functional teams if you

wish to harness the power of diversity. Challenge people from different disciplines and cultures to come up with something better together and achieve creative breakthroughs.

8. Motivate, inspire and energize people, recognize achievements

Financial rewards do encourage people to produce results. But the kind of ownership that really generates energy is not financial. It is emotional. Set stretch goals – they energize people. Become a positive, encouraging person. Give people a sense of responsibility and make them feel that their actions make a difference. Communicate with people frequently and praise them.

9. Encourage risk taking

Take risks. Don't play it safe. Making mistakes is essential to innovation and organizational growth, as long as systems are developed to learn from failures and to avoid making the same mistake twice. The more people fail, the more they succeed. They learn from taking action, from mistakes, from feedback, from getting going. Treat failures as learning opportunities. Develop a tolerance for mistakes and give your people freedom to fail, learn from failures, and start again more intelligently.

10. Make business fun

As business today is about passion and creating new things, fun has become a big element in the business strategy of many highly successful businesses. Make fun an important part of your corporate culture to enable relentless innovation and create an inspiring culture. "What's really driving the new economy – and confounding the grand pooh-bash of the old one – is that individuals are having a huge impact. And an awful lot of fun," writes Edward O. Welles in *The Fun Factor*. People should be happy at work and have fun. Encourage just-for-fun programs. "Find some humor in your failures. Don't take yourself so seriously. Loosen up, and everybody around you will loosen up. Have fun. Show enthusiasm – always," advised Sam Walton.

2.0 THE KNOWLEDGE-BASED ENTERPRISE: IMPLEMENTATION OF INTELLIGENT BUSINESS STRATEGIES

Managers are expected to divide attention over an increasing number of important matters. Throughout the past ten years, managers in most organizations have invested a great deal of time in the improvement and streamlining of processes. Market focus, quality, flexibility and slimming down have been among their daily activities. Throughout Europe and North America,

this has undeniably led to a number of distinct results. Quality and productivity have been improved in the non-nonsense' era. We are doing things quicker and faster using fewer people. At the same time, a gradual and creeping reversal is taking place which remains unnoticed to many managers. In the years to come, competitive advantage will be determined increasingly by the way in which firms deal with the knowledge factor. Price and quality have become preconditions for market entry. The future of firms will depend more and more on the ability to convert knowledge into good currency. Firms will have to evolve in this process into a "knowledge enterprise". This paper concentrates on the risks of our preoccupation with quality, cost and market focus. It addresses the factors that contribute to the increasing knowledge intensity of business management. Finally, it sketches the challenge that is ahead of us: competition on the basis of knowledge. (Hertog, Huizenga, 2000)

2.1 A Most Admired Knowledge Enterprise (MAKE)

About the MAKE research program Teleos, an independent knowledge management and intellectual capital research firm, administers the Most Admired Knowledge Enterprises (MAKE) program. The KNOW Network is a web-based global community of organizations dedicated to achieving superior performance through benchmarking, networking and best practice knowledge sharing. The MAKE research program consists of the annual Global MAKE study – the international benchmark for best practice knowledge organizations – and regional/national studies, including Asia, Europe, India, Indonesia, Japan and North America. (Figure 2-1)

Started in 1998, the annual MAKE survey is now the leading benchmark for the world's best knowledge-based organizations. Each year, the survey identifies organizations that stand above the crowd in the knowledge economy. Ernst & Young is one of the few organizations to have been awarded every year since 1998, and in 2000 Ernst & Young was inducted into the MAKE Hall of Fame. Ernst & Young receives global knowledge award, London, 27 November 2007 — Ernst & Young has been recognized as a Most Admired Knowledge Enterprise (MAKE) for the tenth consecutive year and was ranked first in the categories: 'Developing knowledge workers through senior management leadership', and 'Delivering knowledge-based products and services'. Ernst & Young was the only Big Four professional services organization to be awarded.

About Ernst & Young, it is a global leader in assurance, tax, transaction and advisory services. Worldwide, its 130,000 people are united by its shared values and an unwavering commitment to quality. Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a

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John Harley, Ernst & Young's Global Vice Chair, Global Accounts, Industries, and Business Development, said: "I am delighted that we have been recognized as one of the global organizations most focused on knowledge. This award demonstrates that our focus on the future state of knowledge at Ernst & Young is working, and that we are level with the best-in-class global knowledge organizations."

"Knowledge has always been a key enabler for our business and its importance has been further enhanced as we strengthen our focus on our accounts and the principal industry sectors in which they operate. By focusing on the quality, depth, and global reach of our knowledge resources, our people are able to provide key insights and points of view on matters of critical importance to our clients," said John Harley.

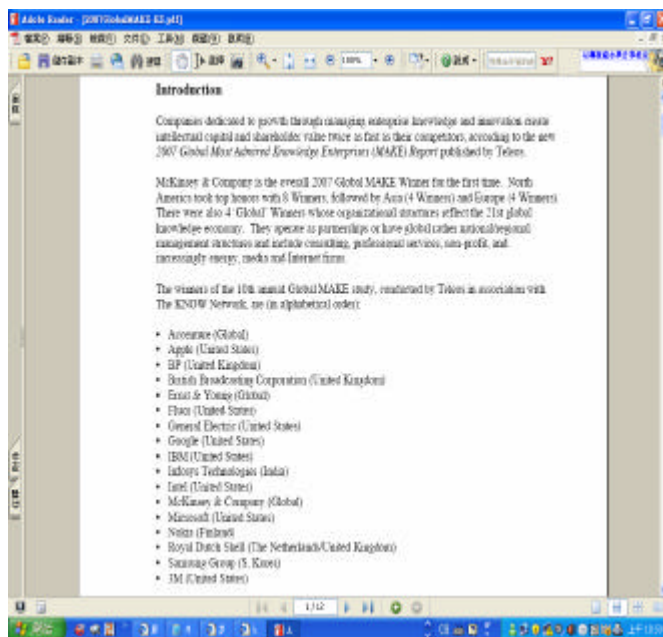


Figure 2-1: The MAKE research program consists of the annual

Global MAKE study — the international benchmark

for best practice knowledge organizations

Source: MAKE (2008)

2.2 The Infinite Resource: Creating and Leading the Knowledge Enterprise

William E. Halal (1998) brings together the views of

prominent leaders in the trenches of the Information Revolution to examine the revolutionary new principles for managing knowledge. There are three principles as follows:

- Principle 1: 'Complexity Is Managed Through Freedom': Success is no longer achieved by planning and control-but through entrepreneurial freedom among people at the bottom.
- Principle 2: 'Cooperation Is Economically Efficient': Economic strength does not come from power and firmness-but out of the cooperative flow of information within a corporate community.
- Principle 3: 'Progress Is Guided by Knowledge and Spirit': Abundance is not the result of material riches-but of understanding the subtle workings of an infinitely complex world.

There are the new laws governing institutions today, the economic imperatives that determine who succeeds and who fails, the keys to pioneering an unexplored frontier of boundless knowledge-The Infinite Resource" (William E. Halal, 1998).

In this context, Halal organizes this invaluable collection into three parts that each focuses on the principles outlined as below:

1. Halal writes, "Part I shows that today's hierarchical structures are being replaced by an emerging foundation of management based on enterprise. The complexity of a knowledge era has made our old command-and-control systems obsolete, and so entrepreneurial freedom is now crucial, not only in economic systems but also to permit free enterprise in organizational systems." Thus, authors of this part, S.Goldsmith, R.L.Ackoff, J.P.Starr, W.Gable, and M.Lehrer mainly focus on decentralized structures, self-supporting units, entrepreneurial freedom, internal competition, and accountability to clients.

2. Halal writes, "Part II illustrates how entrepreneurial organizations must also use cooperation to form collaborative communities. Knowledge differs from physical resources because it increases when shared, making collaborative working relations productive not only in strategic alliances but between buyer and seller, employee and employer, business and government, and other stakeholders." Thus, authors of this part, G.H.Taylor, R.E.Miles, J.Lipnack and J.Stamps, T.Holbrooke, and R.Oklewize mainly focus on virtues of teamwork, networking among internal units, shared knowledge, spherical organization, collaborative alliances, and corporate communities.

3. Halal writes, "Part III describes the intelligent

infrastructures now being built to guide this corporate community in creating powerful forms of knowledge." Thus, authors of this part, R.W.Smith, D.Walters, M.Malone, G. and E.Pinchof, R.Kuperman, and W.A.Owens mainly focus on global information networks, free flow of information, knowledge society, employee training, virtual organizations, strategic direction, and vision.

Finally, Halal writes, "The message my colleagues and I want to stress is that the world is entering such an uncharted new frontier, an epoch so fundamentally different that the old rules no longer apply. The conventional wisdom of the past must be replaced by concepts that conform with the new realities of infinite knowledge:

- Order can be best achieved-not through control and planning-but through entrepreneurial freedom.
- Strength comes-not out of power and firmness-but through cooperative community.
- Abundance flows out of-not material riches-but a subtle frontier of boundless understanding, meaning, and spirit.

This stimulating work consists of nineteen insightful and engrossing essays that convey perspectives on the emerging forms of strategy and organization in the information age, focusing on knowledge as the competitive advantage. The contributors present thinking that is truly big picture, regarding the shape of today's and tomorrow's enterprises in a world that is changing at an exponentially increasing rate. This work delves into the new and emerging realities of the internal enterprise, corporate cooperation, and leveraging knowledge. In many cases the contributors talk about the experiences of their own organization; an enlightening and enlivening approach to gaining an understanding of this new, networked world driven by knowledge-the infinite resource. An enjoyable and informative collection of thoughtful writings.

3.0 THE DEVELOPMENT TREND OF COLLABORATION INNOVATION

Since 1998, Teleos, the research firm of knowledge management and intellectual capital in UK. Each year, the survey identifies global organizations that stand above the crowd in the knowledge economy (Most Admired Knowledge Enterprise, MAKE), one of the eight index of evaluation is "Effectiveness in creating an environment of knowledge sharing". However, since 2002, the index has been changed as "Creating an environment for collaborative knowledge sharing", it emphasizes knowledge sharing should not only been limited in firm's internal employees but also include firm's external customers and cooperation partners, the situation also indicated the importance of

"Collaboration" under knowledge economy.

The book: Collaborative advantage clearly proposed the concept of "Collaboration and Extended enterprise" at the same time. The book thinks "A group of firms on the value chain combine a team by collaborative processes to cooperate together to reach virtual integration, that is extended enterprise", regarding the "Virtual integration", it means the relationships of business partners, it is as we as the relationships of firm's internal employees.

According to the definition by Wikipedia (www.wikipedia.org), the "Collaboration" is a structured, recursive process where two or more people work together toward a common goal—typically an intellectual endeavor that is creative in nature—by sharing knowledge, learning and building consensus. Collaboration does not require leadership and can sometimes bring better results through decentralization and egalitarianism. In particular, teams that work collaboratively can obtain greater resources, recognition and reward when facing competition for finite resources.

After "Collaboration" and "Innovation" meets each other on the knowledge economy track, gradually develops a new strength - "Collaborative innovation", that is transnational, cross domain, cross industry, cross department cooperation and knowledge innovation.

Peter Drucker in a book "Next Society" pointed out that, "In the knowledge society, the unique science and technology has already few and few, one industry needed the knowledge gradually came from other completely different science and technology, but this person in industry frequently completely did not understand to this kind of science and technology."

Johansson in a book "Medici Effect" also pointed out that, "When we stride in crossover point of the different domain, different discipline, different cultural, will be able massively to create, the unprecedented new idea because of unify the existing idea, produce "Intersectional innovation", this kind of phenomenon will be called "Medici effect", three driving power to create the Intersectional innovation will be: (1) exchanges with other domains person; (2) applies the computer information technology; (3) integrates cross scientific domain."

OECD report in 2004, "Innovation in the Knowledge Economy" proposed the idea of "The innovation tank and four pumps", in the article, it supposes innovation is an automobile, the four gasoline pumps which proceed to advance the innovation automobile are: (1) science-based innovation; (2) Collaboration between user and performer; (3) modeling structure - innovation process is free, but the innovation result is integration; (4) the application of information and communication technology. Explained in the knowledge innovation process, the importance of collaboration among science,

information, technical and cross organization/cross professional.

In recent years, the successful cases use the concept of extended enterprise, or friendly utilize global populace wisdom, to carry on collaboration innovation have already many examples. The Japanese Toyota automobile make managing the knowledge and sharing knowledge becomes the routine work and a life part, not only share with the internal staff, but also further share with the external customer and the partner, solve the problem and promote production performances together. The biggest search engine on the world: Google, puts its engineer's creativity prototype product in the Google laboratory accepts the test and examination. The Google laboratory member, is not high educational background or Google Engineer with strong technical ability, but is global net friends.

IBM in the last 2006, starts two times of global five ten thousand colleagues, respectively uses for 72 hours to deliver in the network trades the drop, stimulate creative InnovationJam plan. At present, has already filter out more than 20 sets of innovations services or the product, spare hundred million US dollars to realize. Wikipedia has only two full-time employees, starts global net friend to write the plan of encyclopedia together, at present, the data quantity is seven times than "the English Encyclopedia" which has 4,000 experts, the browsing quantity is 100 times than English encyclopedia, through the comparison by the well-known periodical "Natural Magazine", the content accuracy, "the English Encyclopedia" only slightly wins Wikipedia.

Following the emerging of Globalization 3.0 and Web 2.0, individual strength is gradually stronger, populace's wisdom gradually displays. The innovation ability and the thinking technology will substitute for the information technology or the human capital, will become the new focal point of knowledge application. The knowledge no longer emphasized the share and value-adds, but is the more positive cross domain absorption new knowledge, using analogy thinking, discovered more innovations thought, will discover the more future opportunity of commerce. Therefore, the ability of comprehension knowledge and learning by analogy will have more competitive ability.

Of when comprehends the new knowledge unceasingly delivers, after the share culture achieved a critical point, everybody all could be the knowledge inventor, the knowledge expert only will be one of expert groups who own the knowledge or experience. In addition, the knowledge base accumulate over a long period of time will be extremely easy to obtain, the hiding contraband knowledge expert rapidly is eliminated, the new superiority association which will displace will be the expert who share, thinking and comprehension, or the populace who share, learning and collaboration.

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